

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 17615
[REDACTED],)	
)	DECISION
Petitioner.)	
_____)	

This case arises from a timely protest of a State Tax Commission staff's (staff) decision adjusting property tax reduction benefits for 2003. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision thereon.

[Redacted] (petitioner) filed a property tax reduction benefits application on or about February 13, 2003. That application showed a total net income of \$14,433 which qualified the petitioner to receive a benefit in an amount not to exceed \$720.

Idaho Code § 63-707(5) provides for Tax Commission audits of all claims. While reviewing the petitioner's application, the staff identified income that had not been included in the application although described as income in Idaho Code § 63-701(5).

Federal income records showed the petitioner received a gross distribution of an annuity in the amount of \$2,529 and bank interest of \$83. Only \$529 from the annuity and \$71 of bank interest was listed with other income in the application.

The staff sent the petitioner a letter advising her that her income for property tax reduction benefits purposes was going to be adjusted to include the nontaxable portion of the annuity and the additional bank interest. The change to the petitioner's total net household income would reduce her benefit to an amount not to exceed \$540. The petitioner protested the intended action.

In her letter of protest, the petitioner complained at the inclusion of the \$2,000 in income. She said she reported the \$529 she earned as a result of her investment in the annuity. But, the \$2,000 used to purchase the annuity was not “income”; it was her own money. She made a comparison between liquidating her annuity and withdrawing money from her savings account. She enclosed copies of documents as a paper trail to verify the source of the original \$2,000.

All property within the jurisdiction of this state is subject to property taxes. A claimant who qualifies for property tax reduction is given a benefit for all or a portion of the property taxes on the dwelling he/she owns and occupies. That benefit is in the form of a payment (either total or partial) of the claimant’s property taxes. The payment is funded by state sales taxes.

The amount of property tax reduction depends on income--the greater the income, the smaller the benefit. Income is defined differently for the property tax reduction benefits program than it is described in the income tax code. Idaho Code § 63-701(5) describes income as:

- (5) **"Income" means the sum of federal adjusted gross income** as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, **and** to the extent not already included in federal adjusted gross income:
- (a) Alimony;
 - (b) Support money;
 - (c) Nontaxable strike benefits;
 - (d) The **nontaxable amount** of any individual retirement account, pension or **annuity**, (including railroad retirement benefits, all payments received under the federal social security act except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
 - (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
 - (f) Worker's compensation; and
 - (g) The gross amount of loss of earnings insurance.

It does not include capital gains, gifts from nongovernmental sources or inheritances. To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and/or, if applicable, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. (Emphasis added.)

The calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions. Both the taxable and the nontaxable portions of liquidated annuities are specifically required to be included in income for this benefit.

The Tax Commission finds Idaho Code § 63-701(5), cited above, is controlling. The petitioner's total 2002 income for property tax reduction benefits purposes was \$16,445. She is qualified to receive a property tax reduction benefit not to exceed \$540.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the property tax reduction applicant in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the county commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Change Benefits letter dated September 17, 2003, is hereby APPROVED, AFFIRMED, AND MADE FINAL. An explanation of the petitioner's right to appeal this decision is enclosed with this decision.

DATED this ____ day of _____, 2003.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this _____ day of _____, 2003, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]
